

The President's Fiscal Year 2004 Budget

House Budget Committee
Democratic Staff

February 5, 2003

Surplus Declines \$7.8 Trillion Under Administration Policies

Unified Budget Surplus, Trillions of Dollars

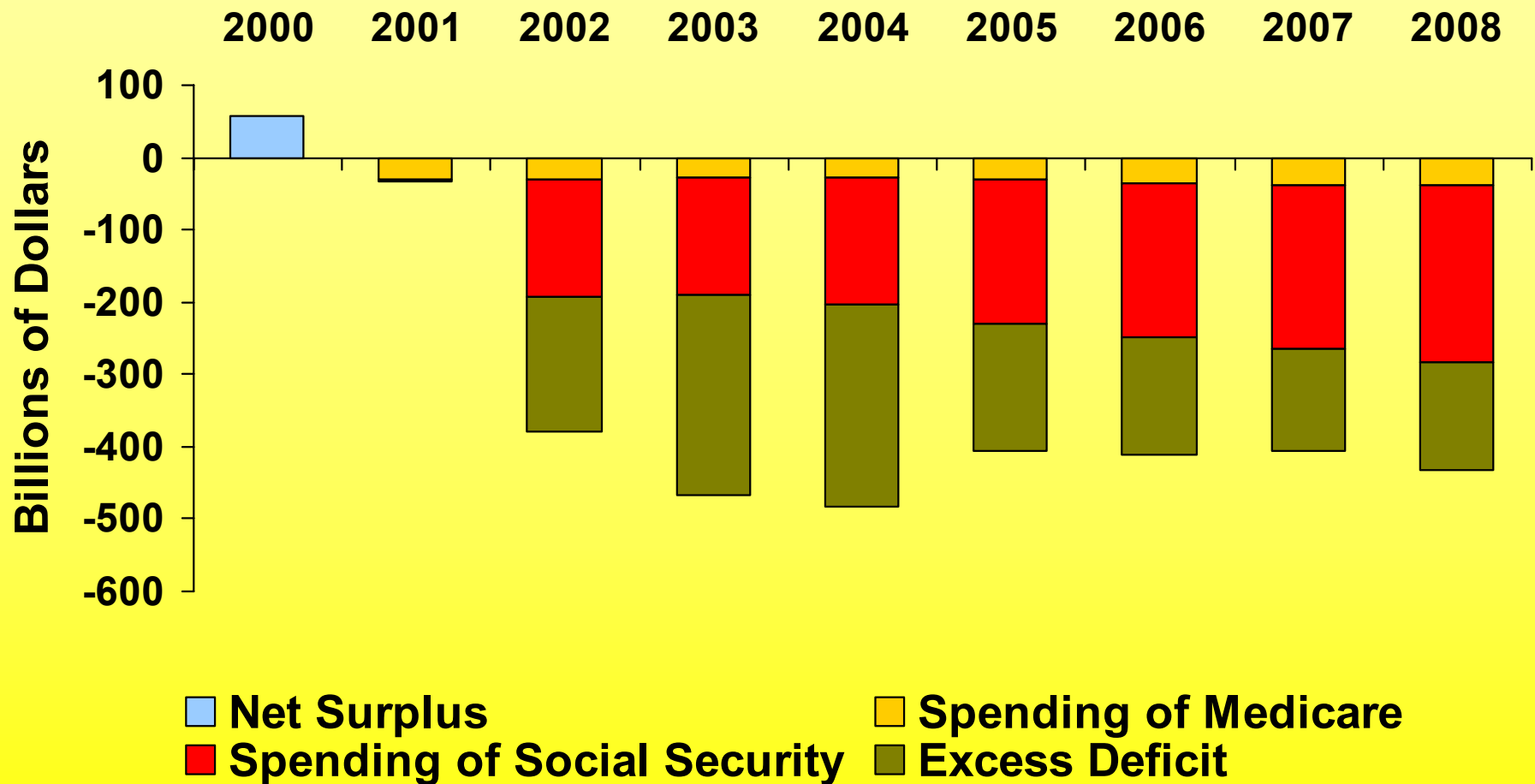
	2002-2011
February 2001 Base	5.644
July 2001	3.113
February 2002	0.739
July 2002	0.444
February 2003	-2.122

Current Budget Spends Entire Social Security Surplus

On-Budget Surplus, Trillions of Dollars

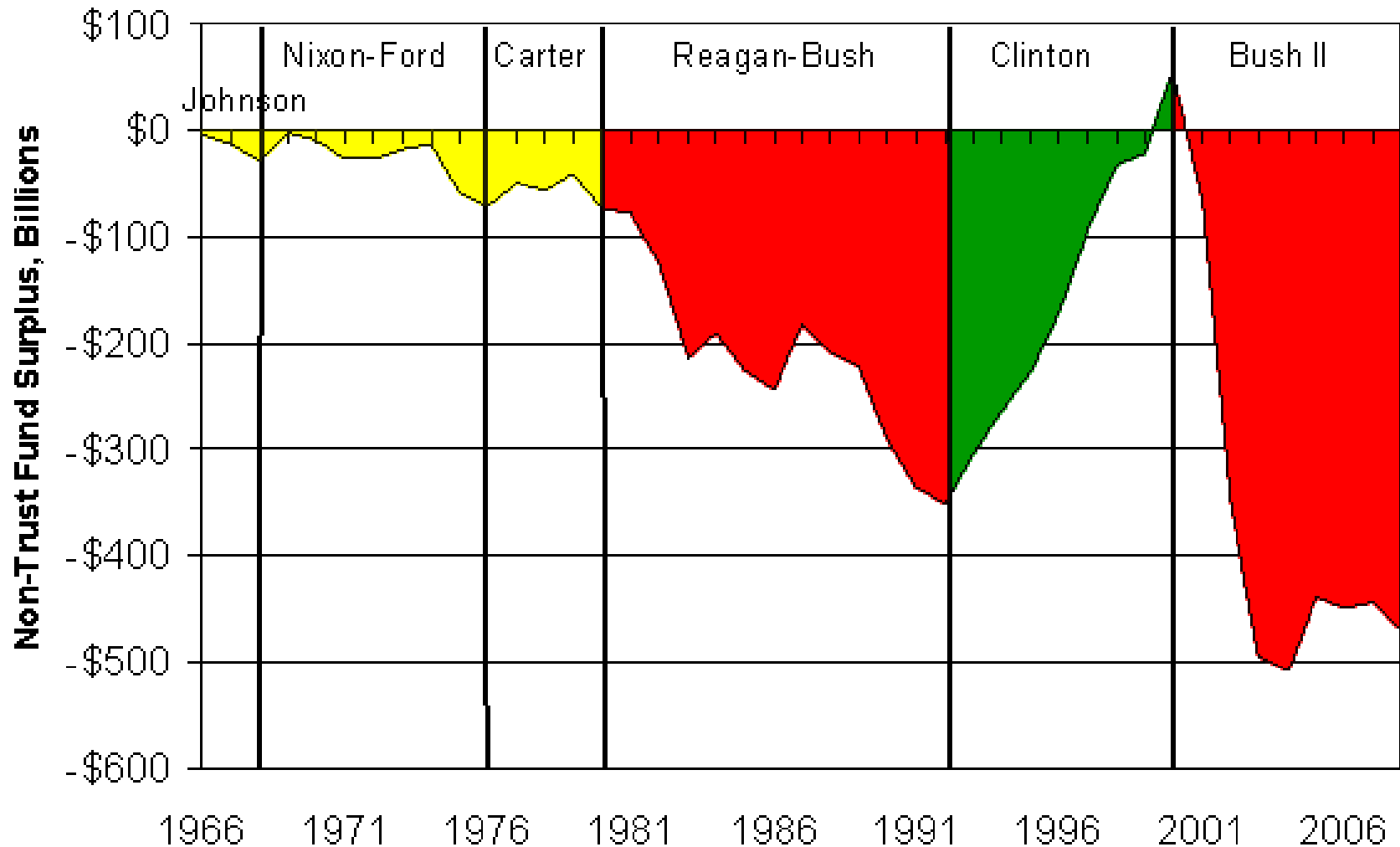
	2002-2011
February 2001 Base	3.053
July 2001	0.575
February 2002	-1.651
July 2002	-1.968
February 2003	-4.363

Bush's New Policies Spend Social Security and Medicare



A Fiscal Opportunity Lost

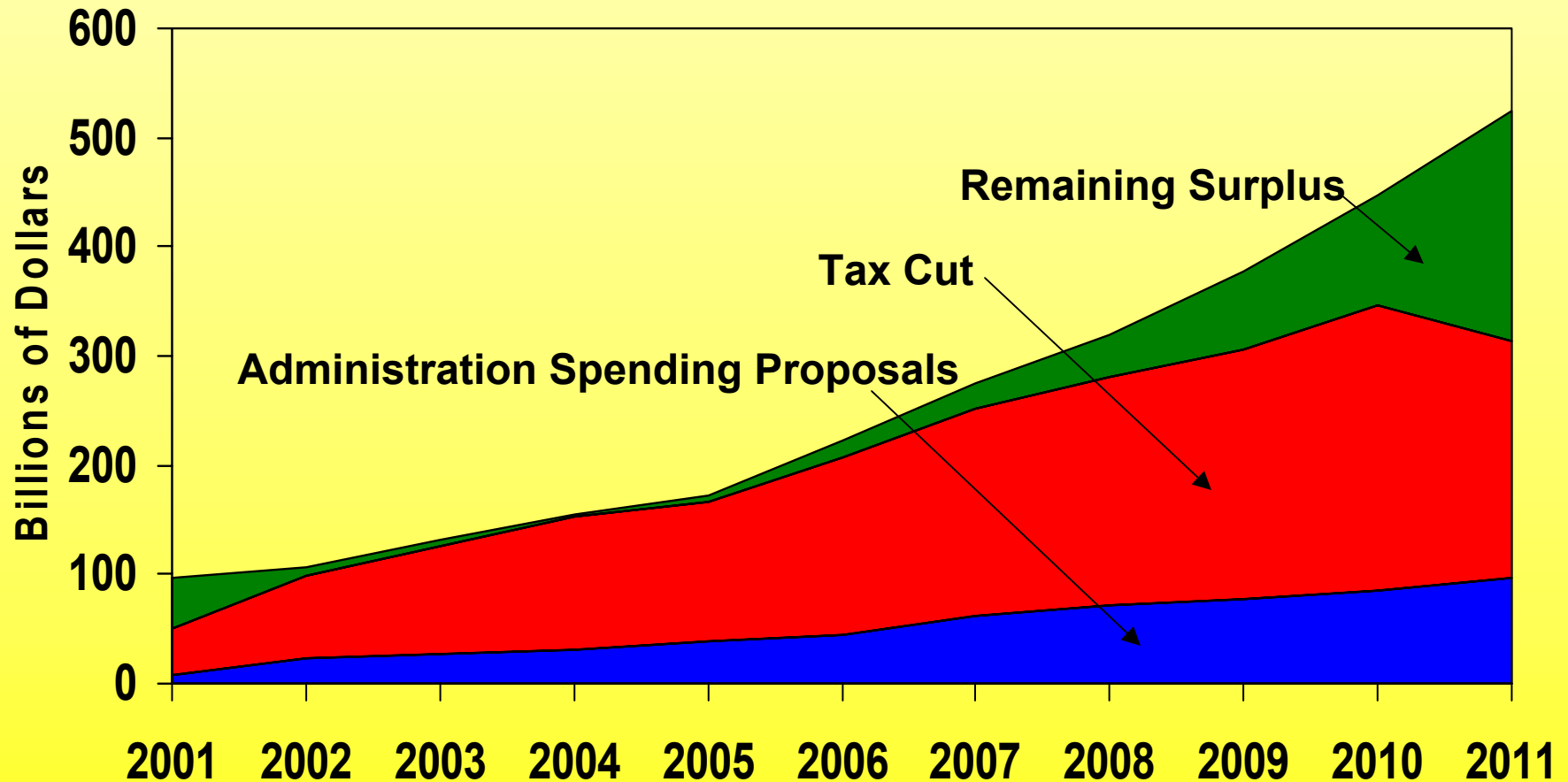
Total Surplus or Deficit without Social Security or Medicare TF Surpluses



[We have] returned to an era of deficits... [but]...We ought not hyperventilate about this issue.

OMB Director Mitch Daniels
January 2003

First Administration Budget Left No Margin for Error

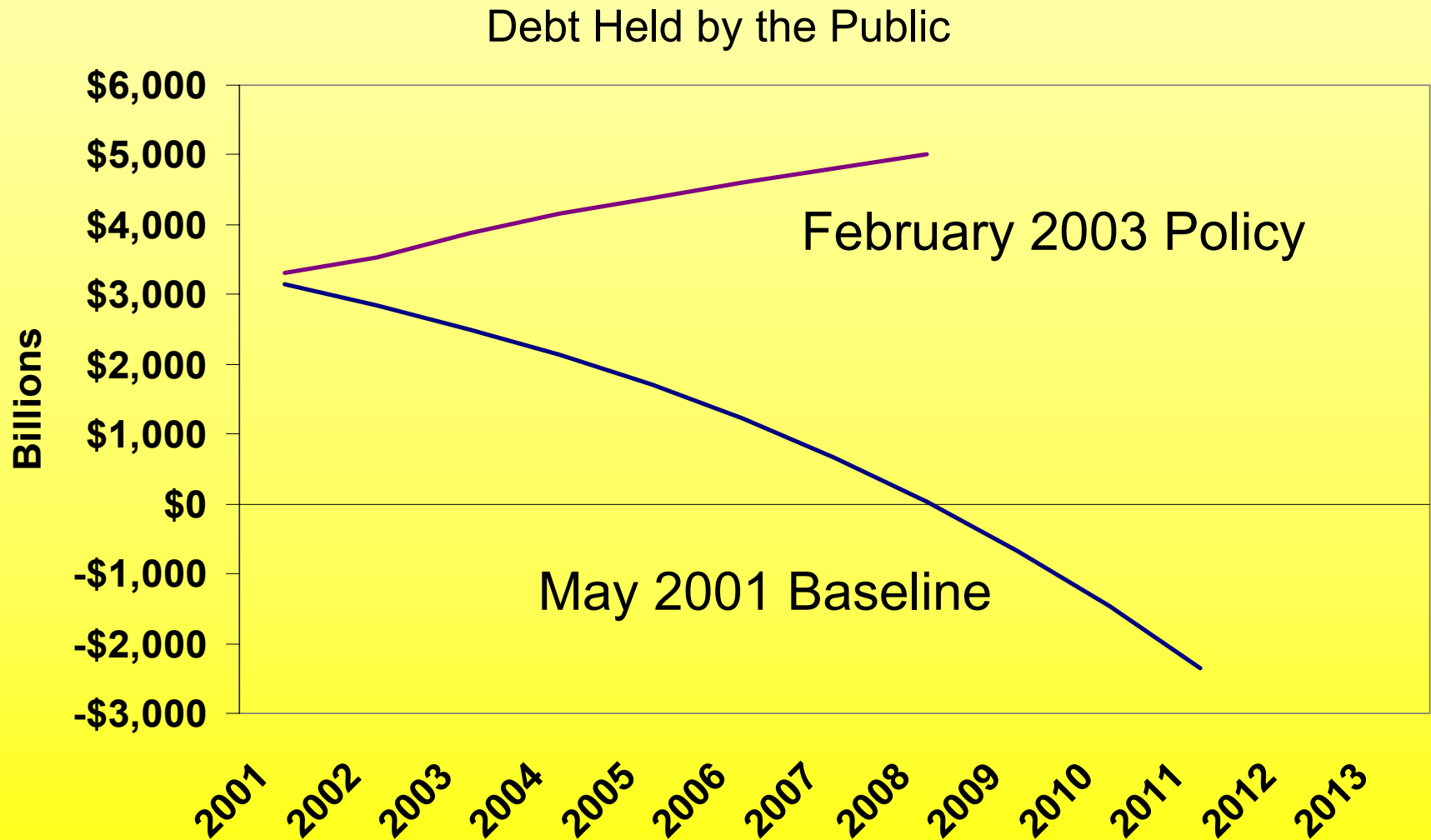


**April 2001 Projection of Non-Medicare, Non-Social Security Surplus;
Tax and Spending Proposals in House-Passed Budget Resolution for FY2002**

The Bush Administration's \$4.4 Trillion Tax Agenda

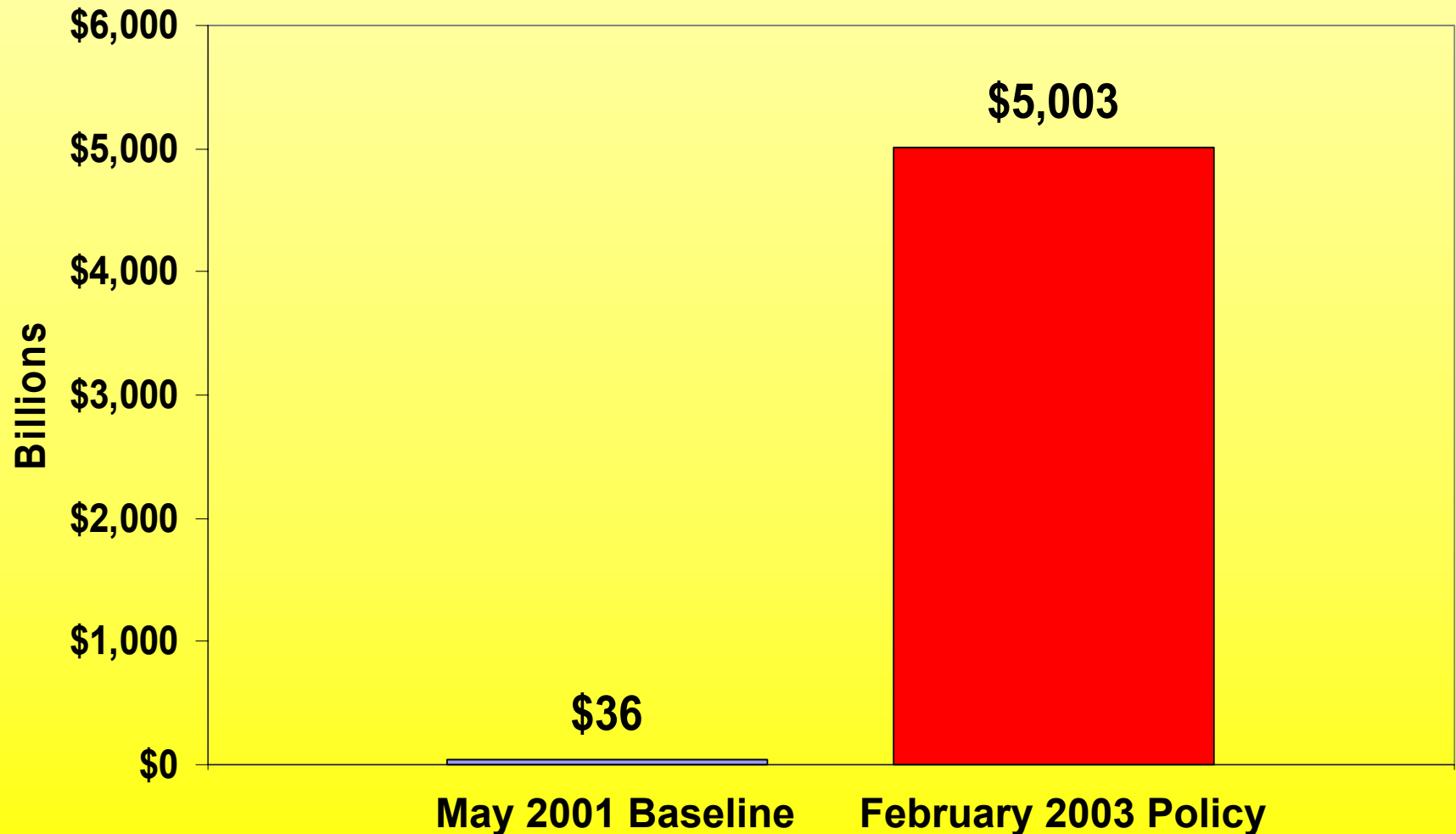
	<u>2001 – 2013</u>
2001 Tax Cut	\$1.349 Trillion
March 2002 Stimulus Package	\$0.042 Trillion
January 2003 “Growth” Package	\$0.615 Trillion
Other Tax Cuts in Budget	\$0.692 Trillion
Protect Middle Class from AMT	\$0.681 Trillion
Direct Effect of Bush Agenda	\$3.379 Trillion
+ Increased Debt Service	\$1.000 Trillion
TOTAL IMPACT ON DEFICIT	\$4.379 Trillion

Bush Policies Create \$5 Trillion Debt by 2008



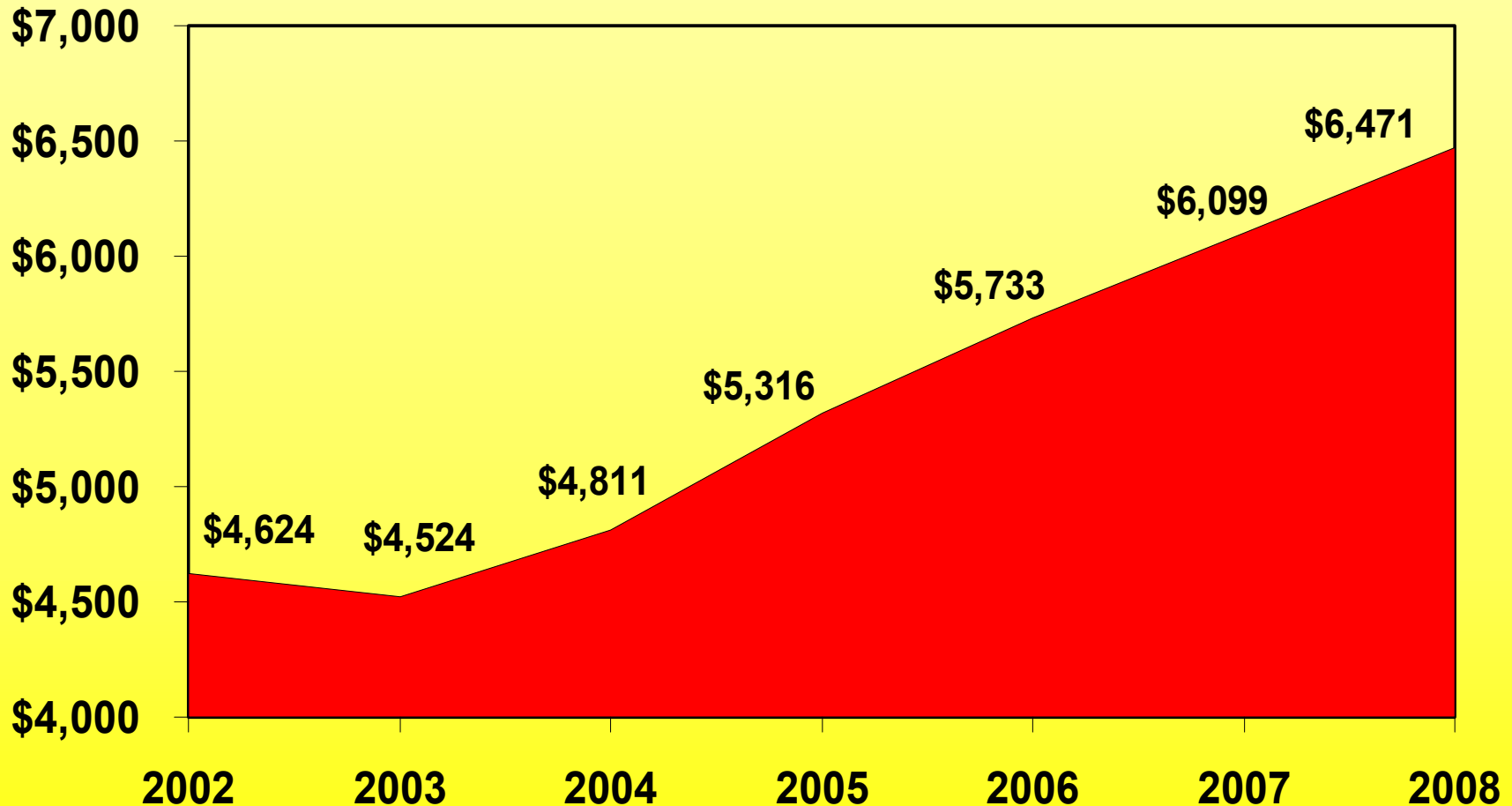
Bush Policies Create \$5 Trillion More In Debt

Debt Held by the Public in 2008



The Debt Tax

Federal Gross Interest Per Family Of Four



History suggests that an abandonment of fiscal discipline will eventually push up interest rates, crowd out capital spending, lower productivity growth, and force harder choices upon us in the future.

Fed Chairman Alan Greenspan
September 12, 2002

John Snow on Fiscal Discipline

“A credible, sustained reduction in federal deficits, leading to a balanced budget, will bring major economic benefits. As the government spends less and borrows less from investors to cover declining deficits, more capital will be available for investment in the private sector of the economy. Inflationary pressure will ease and interest rates will respond by declining as much as two percentage points.”

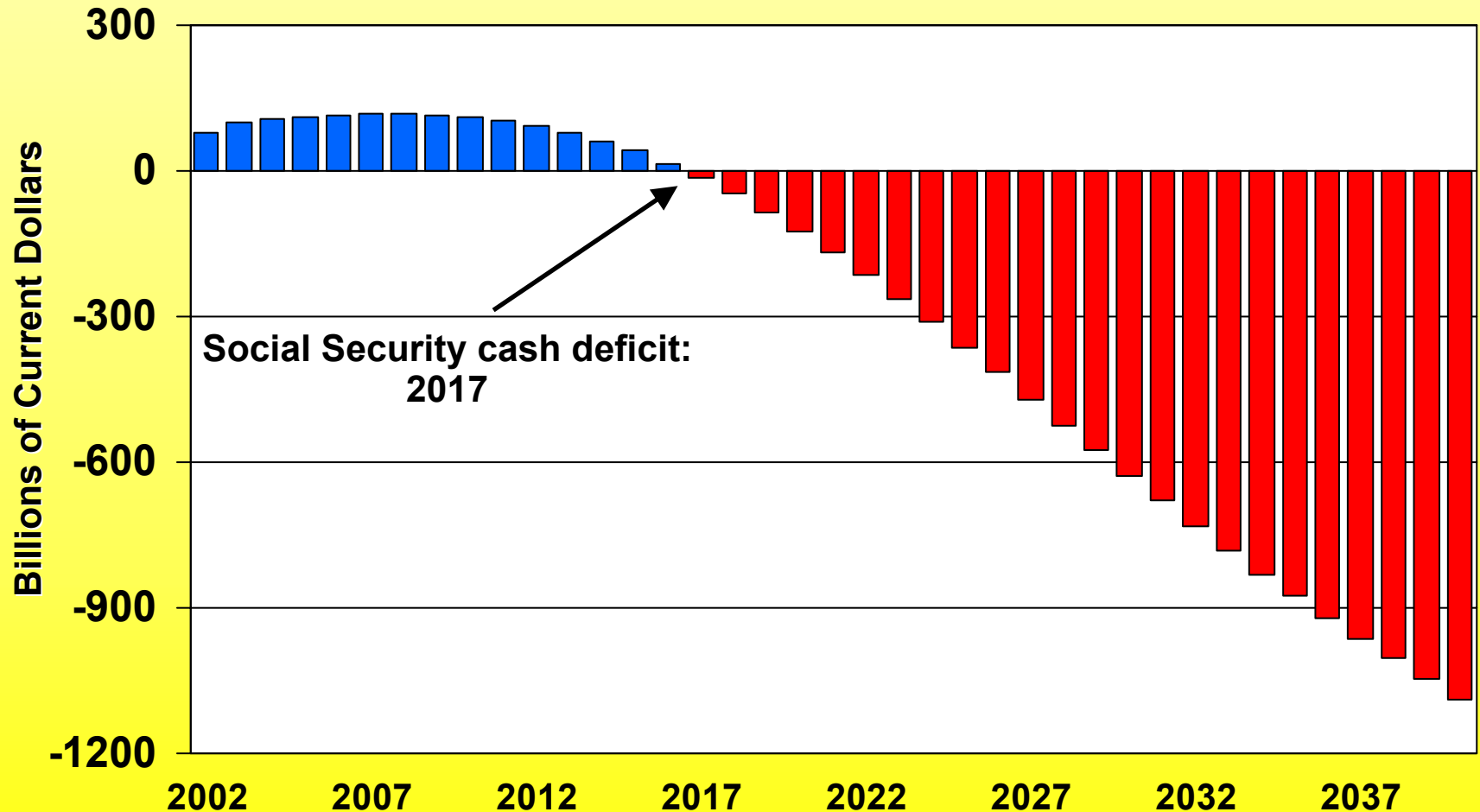
John Snow, “Balanced Federal Budget Would Benefit Americans in Many Ways,” Richmond Times Dispatch, November 13, 1995

John Snow's Recipe for a Bright Future

“A balanced federal budget is the best choice to ensure a bright future for the nation's economy.”

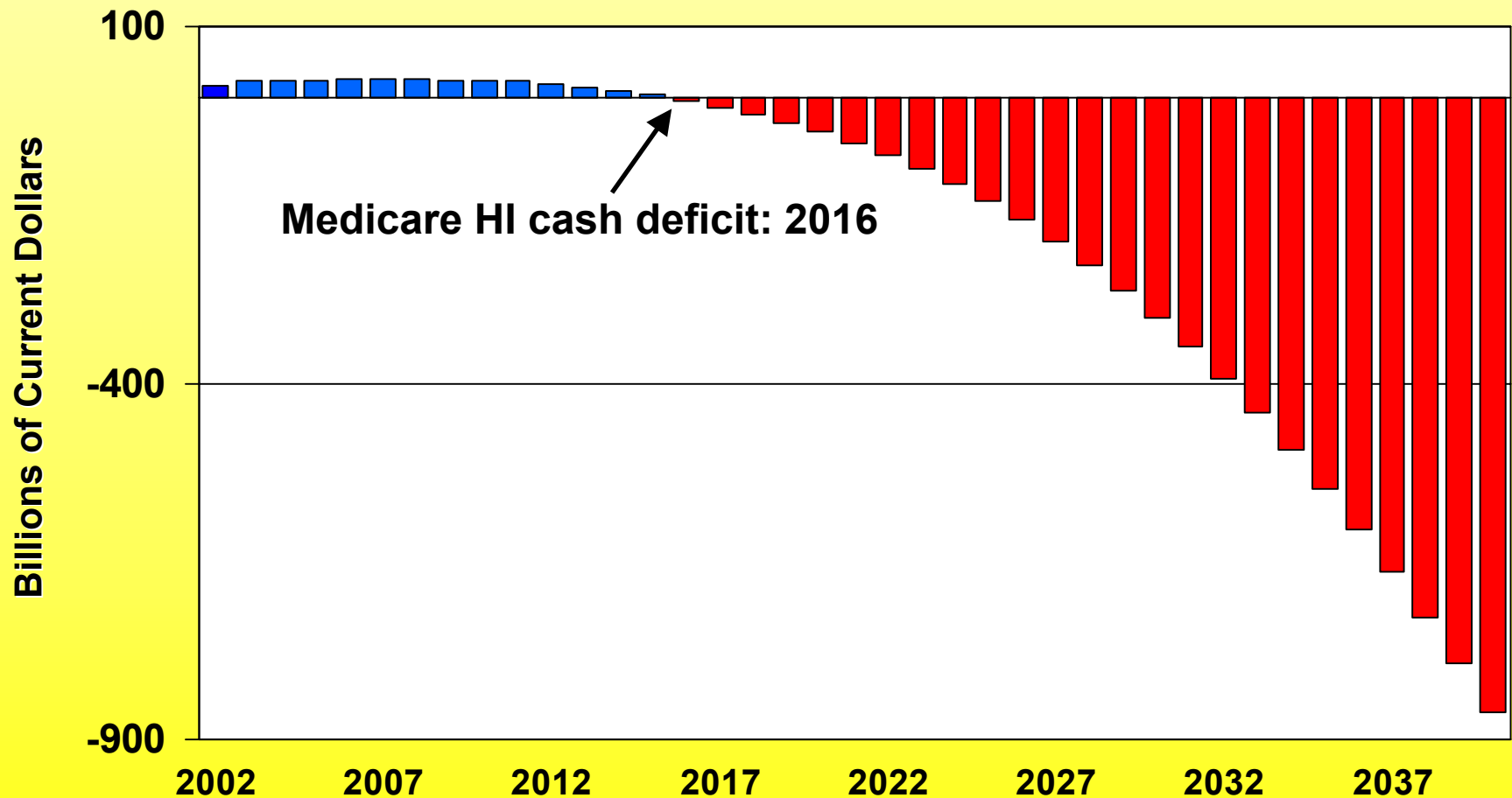
John Snow, “Balanced Federal Budget Would Benefit Americans in Many Ways,” Richmond Times Dispatch, November 13, 1995

Social Security Trust Funds Face Cash Deficit as Baby Boomers Retire



Source: SSA

Medicare Trust Fund Faces Cash Deficit as Baby Boomers Retire



Source: SSA

Budget Deficits, 2002 – 2008

(Billions of Dollars)

	'02	'03	'04	'05	'06	'07	'08	'04-'08
On-Budget Deficit	-317	-468	-482	-407	-412	-406	-433	-2,140
Social Security Surplus	160	163	175	199	211	228	243	1,056
<i>Unified Deficit</i>	-158	-304	-307	-208	-201	-178	-190	-1,084

January 2001 Baseline to February 2003 Current Policy

Billions of Dollars

	2002	2003	2004	'02-'11
April 2001 Baseline Surplus	283	334	387	5,637
Economic adjustments	-284	-352	-292	-3,174
Adjusted Surplus				2,463
Enacted Policy (with debt service):				
Tax Cuts	-41	-94	-120	-1,491
Stimulus	-59	-41	-31	-79
Other Enacted Legislation	-57	-110	-104	-1,022
Subtotal: Enacted Policies				2,592
Current Baseline	-158	-264	-158	-129
FY '04 Budget Proposals		-40	-149	-1,993
Budget Deficits	-158	-304	-307	-2,122